PART III
Latin America
Introduction

Jan Bredenoord, Paul van Lindert and Peer Smets

The macro-region of Latin America (inclusive of the Caribbean), with an urban population of 75.5 per cent, is already highly urbanized. It is estimated that this proportion will reach 85 per cent in 2030. Moreover, the quality of urban housing and the surrounding environment is sometimes so low that one can speak of ‘slums’. But many neighbourhoods, being part of the (big) cities in Latin America – at first probably also described as ‘slum areas’ – illustrate a certain positive impact of self-help housing by the poor, at least in the provision of land and housing. One of the most influential development advisers, from the 1960s onwards, to impact local housing policies in Latin American countries and its discourse is John Turner (1976). He showed that incremental housing production and consumption took place mainly in the informal sector. Although there are many tenure modalities in Latin America, the most widespread form is individual home ownership. In fact, approximately 17 per cent of total households in the region (inclusive of the Caribbean) rent their dwellings (Bouillon 2012: 90). Latin America is the continent where many initiatives – especially engaged by urban social movements on housing and land issues – have been developed over the past decades (McBride and French 2011). Hot-button issues include the discussions surrounding too much bureaucracy, as well as land titling issues (De Soto 1989, 2001). Another Latin American development is the emerging availability of ‘ABC mixed housing finance’, which was started in Chile and replicated and implemented in other countries such as Ecuador, Costa Rica, Colombia, El Salvador, Peru and Uruguay (see e.g. Klaufus 2010). Additionally, an important development that also impacts on liveability in informal settlements is participatory budgeting. First developed in the municipality of Porto Alegre in Brazil (Shah 2007), participatory budgeting has been copied and introduced in many other countries and municipalities in Latin America.

The collection of chapters in this third part of the book elaborate on the urban housing conditions for the lower income groups in six Latin American countries: Mexico, Brazil, Colombia, Peru, Ecuador and Nicaragua.

In Chapter 15 Jan Bredenoord and Lorena Cabreca Montiel describe the changes in Mexico’s housing market for the urban poor. Since the early 1970s there has been a considerable transition from rental to owner-occupied housing, powered by (1) various sorts of self-managed
housing and (2) institutional low-cost housing. The irregular self-help housing changed gradually towards individual incremental housing, while public housing institutions have changed their approaches and working methods considerably. Today, Mexico’s urban housing market for the poor has widened its scope and shows, for example, new finance for home renovations and also hybrid forms of housing, including self-managed as well as social housing. However, the growth of the urban population goes hand in hand with an increased demand for cheap housing for the (very) low-income brackets. Currently, interest in urban renewal, neighbourhood upgrading and individual home improvements is becoming central, while sustainable urban development becomes a main issue connected to social housing reform. Institutional housing has been developed adequately in Mexico, but the availability of large amounts of vacant houses in 2013 is alarming.

In Chapter 16 Suzana Pasternak and Camila D’Ottaviano describe both the early and more recent housing provision policies in Brazil and the significant changes. Between the mass public construction programmes of the 1960s and 1970s and the more recent My Life My House Programme of 2009, Brazil went through periods of low investment in social housing. As a result, the ‘housing’ landscape of Brazil’s cities is deeply marked by irregular land subdivisions and self-help construction as a primary form of housing access for the lower income classes. Initially, self-help housing mainly occurred on individual lots that were purchased by households in peripheral areas, slums and squatter areas. The authors describe São Paulo’s attempts to rectify this situation through innovative self-construction experiments (e.g. São Paulo’s Municipal Self-management Housing Provision Programme of 1989–1991), which have been supported by the São Paulo state. Together with a supportive loan programme, the institutionalization of self-management became a fact. Moreover, since the 1990s, the role cooperatives play in Brazil has increased significantly. Over the past two decades, self-help and grassroots task forces have been steadily incorporated into governmental housing programmes.

In Chapter 17 Alan Gilbert critically reviews the evolution of housing policies in Colombia. While successive governments implemented a variety of policies and institutions, a shift was made from direct provision of housing to sites and services; subsidies are now provided in the form of low interest rates for low- and middle-income families. In Colombia, around half of the population lives in accommodation created through self-help. Successive policies were not able to reach the lowest income groups; in general, programmes were too expensive. The central mortgage bank lent only to (upper) middle-class families. Housing corporations did not reach low-income people sufficiently, but the housing agency of that time, INURBE, implemented a housing policy based on granting subsidies, targeted at the poorest families but not at the required scale. In 2012 the government planned to give 100,000 houses to very poor families. According to the author, the government would do better to place more emphasis on implementing genuinely pro-poor policy measures, such as supplementing family incomes; providing better health care; or offering free education to children. Among other things, the government should also think about expanding the supply of rental housing for those who are unable to purchase a dwelling.

Ana María Fernández-Maldonado describes in Chapter 18 the ineffectiveness of state involvement in housing matters during the past decades of economic recession and political instability and the related importance of self-help housing in Peru. As a consequence of rapid population growth in Peruvian cities, especially in Lima, housing deficits have continuously increased. Since 2003 the Peruvian housing sector has experienced a growing dynamism, partly triggered by a housing reform that established programmes and finance mechanisms
to reconcile the demands of the poor and the supply of affordable housing. Housing policies are mostly geared toward the delivery of new homes and not toward assisting incremental housing. The housing programmes have delivered more new homes than ever before, but they are still insufficient to confront the huge housing deficit. Despite the pro-poor rhetoric of successive governments, the objective of building homes for the poor does not seem feasible in the present circumstances. The lack of cheap land to develop and the preference of large construction firms in targeting middle-income households partly explain this situation. The situation is further aggravated by the lack of effective planning and coordination between housing policies and local development plans.

In Chapter 19 Christien Klaufus and Laura Cedrés Pérez describe the changing housing-policy paradigms in Ecuador. Here former policies that aimed at the production of small standardized houses for the poor have had to be replaced by programmes that integrate housing policies into large-scale urban planning. The starting point for this chapter is the question of what role incremental housing and related self-help solutions could still play in the supply of affordable housing. Under the title ‘Buen Vivir’ or Good Living or Collective Wellbeing, the left-wing Correa government introduced a new state philosophy in 2008, which created a new political landscape with specific programmes and actors. This ambitious plan has had various consequences for the housing sector. In this chapter the authors analyse the targets and the outcomes regarding housing as well as the role of the (new) actors within the sector. They conclude that the increased state budget for housing and upgrading has had positive consequences, especially since the production of affordable new housing solutions has risen significantly. But the ‘task’ of improving the existing (self-built) housing stock was not taken up in profound ways, partly because the theoretical integration of various habitat-related policy fields did not result in practically coherent policy instruments. For example, no attention was paid to the demand for cheap rental houses in cities. During the second term of the Correa government (2013–2017), a necessary broadening of the policy for public housing will hopefully give attention to the aforementioned shortcomings. Consequently, the role of incremental housing in Ecuadorian society within the context of the new policy paradigm is still under discussion.

In Chapter 20 Jan Bredenoord and Bart van der Meulen describe the vast self-help housing practice in Nicaragua. After Haiti, Nicaragua is the second poorest country in the Americas. The bad socio-economic situation of the population and the inability of the government to generate sufficient financial means for public housing are the main causes. Many low-income households have limited access to housing finance for house construction and a large number of low-income households live in houses of poor quality; in Managua this is 57 per cent. The authors describe the roles of main actors in social housing in Managua and León, including national and local governments, non-governmental organizations, community-based organizations (CBOs), and private actors such as developers and banks. The issues of housing typology and costs of housing are analysed in order to give insight into the affordability of low-income housing. Moreover, a new public housing finance system for low-income households is being created (2012) by the Ortega government, with help from the Inter-American Development Bank. At the end of 2012 in the cities of Managua and León, there are various irregular land occupations, which is a sign of a remaining demand for sites-and-services schemes. The stimulation of housing cooperatives is occurring in the country, which is promising. Yet due to political strategizing, the role of CBOs in Nicaragua turns out to be a complicated one. As the government opts for the status quo on housing production, there necessarily will be more
focus on the improvement of houses. This will most likely provide an extra stimulus to the existing practice of incremental housing.

References


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AFFORDABLE HOUSING FOR LOW-INCOME GROUPS IN MEXICO AND URBAN HOUSING CHALLENGES OF TODAY

Jan Bredenoord and Lorena Cabrera Montiel

Abbreviations

CFE Federal Commission of Electricity
CIDOC Centre of Housing Research and Documentation
CONAVI National Housing Commission
CORETT Commission for regularization of land ownership
DUIS Sustainable integrated urban development
FONHAPO National Fund for Low-income Housing
FOVI Fund of Operation and Finance for Housing
FOVISSSTE National Housing Fund of the Institute of Security and Social Services for State Workers
GoM Government of Mexico (Federal)
IMSS Mexican Social Security Institute
INEGI National Institute of Statistics and Geography
INFONAVIT Institute of the National Housing Fund for Workers (private)
ISSFAM Military Housing Fund of the Social Security Institute for the Mexican Armed Forces
IVNL Housing Institute of Nuevo León
ONAVIS National housing organizations
PEMEX Mexican Oil
PSV(A) Social Housing Production (Assisted)
SEDATU Secretariat of Agrarian, Territorial and Urban Development
SEDESOL Secretariat of Social Development
SHF Federal Mortgage Society
SOFOL Limited object financial society
SOFOM Multipurpose financial society
Introduction

Housing for low-income groups in Mexico is provided by two housing delivery systems: self-help housing and social housing. Both are or must be affordable for low- and middle low-income groups. Self-help housing is widespread, but families self-construct their homes less often than they did in the past and contract out more work to professional construction workers. In 1972 social housing production (i.e. subsidized low-cost housing for owner-occupiers and not for renters) started growing significantly with the introduction of support from the federal government. This made home ownership possible for many people with permanent employment. Policies for urban land development were created with reservas territoriales (public land reserves) which included access to ejido land (land collectively used by farmers). Since 2000, social housing production has received a significant second stimulus and the government is focusing on promoting the construction of new houses, the purchase of existing homes and on home renovations (Bredenoord and Verkoren 2010).

In Mexico, housing practices underwent several paradigm shifts: from rental housing to home ownership, from irregular urban developments to more regulated expansion plans, and from massive standard-housing to a broad offer of (mixed) housing. Meanwhile, the housing sector in Mexico has become complex with many public and private actors working together to execute a variety of housing programmes.

Before 1960, low-cost housing demand in Mexico was normally solved by urban rental markets. In the early 1960s, however, many poor townspeople and rural–urban migrants began making their homes in self-built areas located adjacent to cities. Modest houses were built there by poor households. These non-regulated urban developments, which sometimes turned into slums, at the fringes of cities, caused many environmental problems. Regulation of land use and provision of services were promoted sporadically by some politicians and later by government programmes. In due course, many neighbourhoods were consolidated, a process coupled with the gradual introduction of public services and the promotion of security of tenure. In the consolidated neighbourhoods, citizens replaced initial building materials with more durable ones. Later on they often built extensions, added storeys and used internal spaces adjacent to streets as (work)shops.

Furthermore, the nature of self-help housing has changed gradually; in the beginning there was self-help housing within irregular/illegal neighbourhoods, and later this was replaced with self-managed housing where households hire skilled construction workers (for parts of construction) within improved urban areas. Self-managed housing is a more developed form of self-help housing. In 2003, of a total of 24.13 million housing units, 62.9 per cent were houses produced through self-help; 23.6 per cent were social houses financed by housing institutions (between 1963 and 2003); and 13.5 per cent were realized by private initiatives (Coulomb 2010). According to another source, in 2008, 74 per cent of the total housing stock was built through self-production processes: 65 per cent in urban areas and 92 per cent in rural areas (PUEC-UNAM 2013: 32). These figures illustrate the importance of self-help housing.

Social housing policy in Mexico has been developing for four decades and currently it is intended to benefit low-income families. One can still find a huge amount of individual self-help housing. In addition, well-organized one-family houses and in the cities three- to five-storey housing complexes were realized by developers. In a number of cases one can find hybrid house construction, such as small houses in organized projects with the possibility of incremental finishing and mixed housing finance. The housing practice in Mexico faces a
number of challenges, for example with sustainable housing (a policy that started only a few years ago), the social housing production (a policy that started several years ago) and finally the existence of many uninhabited houses.

This chapter begins with an overview of urban development in Mexico since the 1960s and how low-quality self-built neighbourhoods were gradually consolidated and incorporated into cities. This is followed by a discussion of the government initiatives (in 1972 and 2000, respectively) to increase housing production. This stimulus resulted in a broadened scope of housing finance and typologies. The chapter also covers some aspects of sustainable housing and planning, which are becoming increasingly relevant in Mexico’s social housing production. We conclude by discussing aspects of the current challenges facing housing and urban planning, including social housing production and uninhabited housing.

**Urban development and housing since 1960**

From 1960 to 2010 the total population of Mexico grew from 35 to 112 million (INEGI 2010). Simultaneously, the level of urbanization rose from 32 to 75 per cent, while the number of metropolitan areas (with more than 1 million inhabitants) rose from 2 to 12 (INEGI 2005a). In the same period the population of Mexico City itself grew from about 5 to 20 million people. During the 1950s and 1960s, Mexican urban growth combined with a constant demand for low-cost housing from the lowest income groups (INEGI 2005b) caused a large-scale urbanization of poverty. Poor families began to self-build on an ad-hoc basis, leading to an immense growth of spontaneous suburbs, mainly in non-regulated neighbourhoods or slums. Ongoing rural–urban migration induced the government to develop a new strategy for urban growth that included social housing.

During and after the 1960s, the Federal Government of Mexico (GoM) gave assistance to self-managed urbanization by implementing urban planning and offering infrastructures such as roads, in order to avoid the creation of future slums. A prominent example of this phenomenon can be found in Nezahualcóyotl (Figure 15.1), a municipality with over 1.1 million residents, which is part of metropolitan Mexico City. Self-construction of houses started here in the 1950s, through squatting and purchases of land by private developers, who made a profit by selling plots to individual households. Eventually, the area was developed according to public planning with avenues, by interventions of the State of México (adjacent to the Federal District). Descriptions of the development of this vast self-help housing area, which is comparable to other areas in Mexico, can be found in Ribbeck (2002), Municipality of Nezahualcóyotl (n.d.), Conolly (2003) and Bredenoord and Verkoren (2010).

Since the early 1970s, the government has stimulated social housing by the establishment of public housing institutions, which has led to substantial social housing production. In those early years of massive urban growth many new areas with standard houses were urbanized according to new basic standards of urban planning. The neoliberal government policies of the 1990s had consequences for the social housing production. For example, there was a temporary increase in investments by banks. Another temporary consequence was that the market for housing shifted from low-income households to middle-income households. In due course, it became clear that there was, and is, a constant need to focus on the housing requirements of low-income groups. The number of Mexicans living in poverty in 2010 was estimated at 46.2 per cent of Mexico’s population. Earlier, Connolly (2006) pointed out that policymakers...
needed to recognize the importance of self-help housing for this group and to incorporate it into housing policies.

After 2000, social housing production increased significantly. Between 2001 and 2009 there were more than 9 million housing finance subsidies and loans, and yearly there were over 1 million housing finance actions (CONAVI 2010a). Currently, housing and urban planning in Mexico are at a new crossroads, as new visions of sustainable housing and urban planning are emerging (GoM 2012). The governmental focus since around 2010 has been on sustainable urban development, for example through new policies and DUIS projects, as described in this chapter.

**Government interventions on housing**

Housing policy in Mexico has gone through different stages (see Table 15.1). Before the 1970s, the federal government’s involvement with house construction was limited and mainly focused on investments in infrastructures such as main roads and streets, with a special focus on Mexico City. The first housing agency, the Fund of Operation and Finance for Housing (FOVI), was established as early as 1963. Between 1947 and 1970 an average of only 9,500 dwellings per year were built by public housing institutions in the entire country (Landaeta 1994: 194).

In 1972, cooperation between government, labour unions and employers started a new phase of public housing production. A charge of 5 per cent on salaries created public funds
### TABLE 15.1 Housing policies and financial stages

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<td><strong>Benefactor and interventionist state</strong></td>
<td><strong>State facilities and deregulation</strong></td>
<td><strong>Financialization</strong></td>
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<tr>
<td><strong>Housing policy</strong></td>
<td>• First housing funds</td>
<td>• Reform LFV (1997)</td>
<td>• Reform LFV (2004, 2006, 2011)</td>
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<td></td>
<td>• Federal Housing Law (1984)</td>
<td>• ONAVIS leave technical control</td>
<td>• ONAVIS only financial functions</td>
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<td>• ONAVIS – technical control</td>
<td>• Benefits to private promoters</td>
<td>• Ensure demand to promoters</td>
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<td></td>
<td>• First federal agencies</td>
<td>• Reform ONAVIS (1992)</td>
<td>• CONAVI (2001), coordinate housing agencies</td>
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<td></td>
<td>• Legal reserve to banks (3%) for housing</td>
<td>• Changing loans conditions</td>
<td>• INFONAVIT, FOVISSSTE, mortgage bank/savings fund</td>
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<td></td>
<td>• Low income, employed</td>
<td>• Increased investments, loans</td>
<td>• Participation in BMV</td>
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<td></td>
<td>• INFONAVIT (1972), private</td>
<td>(employer contribution + SAR)</td>
<td>• FONHAPO (reappears 2001), purchase, improvement, self-production or PSV subsidies</td>
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<td></td>
<td>• FOVISSSTE (1972), public</td>
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<td>• FOVIMI-ISSFAM, CFE, PEMEX</td>
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<td>• Public promoters</td>
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<td>• Low income, unemployed</td>
<td>• Private promoters</td>
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<td></td>
<td>• FONHAPO (1981)</td>
<td>• Fiscal, own, World Bank resources</td>
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<td></td>
<td>• Fiscal resources</td>
<td>• Reduced social subsidies</td>
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<td></td>
<td>• Social promoters</td>
<td>• Public and social promoters</td>
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<td><strong>Social financial capital</strong></td>
<td><strong>Private financial capital</strong></td>
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<td></td>
<td>• Low income</td>
<td>• Middle income</td>
<td>• SHF (2001–prior FOVI), development bank/mortgage financing/guarantees financial institutions (private, public)</td>
</tr>
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<td></td>
<td>• PFV, FOGA</td>
<td>• Middle + upper income</td>
<td>• Commercial banks,</td>
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<td></td>
<td>• FOVI (1963)</td>
<td>• Employers’ contribution (5%)</td>
<td>• SOFOLs – SOFOMs</td>
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<td></td>
<td></td>
<td>• Banking nationalization (1982)</td>
<td>• Bridge loans/mortgage loans</td>
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<td></td>
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<td>• Liberalization – increase mortgages</td>
<td>• Private developers</td>
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<td></td>
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<td></td>
<td>• ONAVI + ONAVI/bank/SOFOL/ Private developer</td>
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<tr>
<td><strong>Co-financing</strong></td>
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*Source*: Lorena Cabrera Montiel, own research at Institute of Geography, National Autonomous University of Mexico.

that were to be used for social housing for workers in certain sectors. The establishment of such public housing funds as INFONAVIT, the fund for private sector workers, and FOVISSSTE, the fund for public sector workers, was a milestone in Mexican social housing history. Other public agencies (e.g. CFE, IMSS, ISSFAM and PEMEX) arranged mortgage financing for their employees too. This finance model has been investigated and described, for example by UN-Habitat (2011a) and Bouillion (2012: 204). Housing production for low- and middle-income groups increased through a huge supply of plots with a basic or core dwelling, but access to subsidized housing remained restricted to heads of households earning at least two to four times the national minimal wage. Thus, a large part of the populace was (still) not served. In response to this, the government developed additional programmes for the many households that lacked permanent employment and were thus denied access to social housing. From 1981 to 1997, the National Fund for Low-income Housing (FONHAPO) was the government institution responsible for granting housing subsidies for low-income households without formal jobs. Later on, other agencies, such as the Secretariat of Social Development (SEDESOL) and the National Housing Commission (CONAVI), resumed or expanded this national policy.

In 1992, the restructuring of the main housing agencies initiated a new stage that significantly changed their role. While initially they had been initiators, organizers and executors, after 1992 they became solely policymakers and financiers, leaving production in the hands of private and social developers.

The private financial sector had participated in granting mortgage loans for middle and higher income groups, resulting in residential housing. The private sector also offered resources to other money lenders, such as housing corporations. After the financial crisis of 1994, commercial banks stopped providing housing loans; their share in housing finance declined from 54.4 per cent in 1994 to 6.3 per cent in 1997 (BBVA Research 2002) and to 2 per cent in 2000 (Temblón 2007). Other specialized, non-banking financial companies took their place, mainly SOFOLs (limited object financial societies), which emerged in 1993 since it was a requirement for Mexico to sign the NAFTA (North American Free Trade Agreement) to have similar financial organizations to those existing in the US, such as single purpose or limited purpose financial intermediaries, diversifying the housing finance sector.

After 2000, new changes in housing policies took place. For example, responsibility for implementing new housing policies began to shift from the federal government to states and municipalities. In 2001 FOVI was incorporated into the Federal Mortgage Society (SHF), and it became the new housing finance institution for low-income households (Bouillion 2012:196). The SHF took over the support and regulation of SOFOLs, which were virtually the only private institutions that financed social housing, providing 21 per cent of new housing loans (Temblón 2007). Between 2000 and 2004, banks came back in housing finance, due to macro-economic stability and new credit schemes, partnering with SOFOLs. After the financial crisis of 2008, SOFOLs went through serious difficulties and despite government aid, some of them collapsed. Regardless, the SOFOLs’ authorization was due to end in July 2013 (Berrospide et al. 2012), and this has now happened. Consequently, some may be liquidated and others will become SOFOMs (multipurpose financial societies), oriented possibly towards new segments: low-income families without access to mortgages, and new financial intermediaries such as cooperatives (PUEC-UNAM 2013: 95).

Over the past four decades INFONAVIT’s and FOVISSSTE’s housing production has grown very significantly. This growth occurred after they became housing finance institutions
Affordable housing for low-income groups in Mexico

where beneficiaries have their accounts (amounts not being used for housing can be used for pensions). INFONAVIT increased gradually from an average yearly production of 25,360 housing units in the initial period (1973–1976) to 475,000 housing finance actions in 2010 and 501,000 in 2012 (CONAVI 2012). In 2004, INFONAVIT started participating in the Mexican Stock Exchange and mortgage finance was strengthened through co-financing, extending loans to lower income groups and allowing access to higher value homes. Even though public institutions involved in housing finance hold more than 90 per cent of the national mortgage portfolio (BBVA Research 2012) – INFONAVIT represents 60 per cent and FOVISSSTE 10 per cent (Chiquier and Lea 2009) – the housing policy was diversified. Thus, construction firms, project developers, specialized and publicly supported finance institutions and municipalities might give credit for housing projects. Since 2000 a new finance system has emerged, through combining several resources for social housing such as saving, subsidies and credit (mixed financing), which was a breakthrough in Mexico. The new Housing Law (GoM 2006) and the Social Housing Programme 2007–2012 were intended to consolidate the Federal Subsidies Programme.

**Housing production boost from 2000 onwards**

Since 2000 housing policy has been renewed and this has increased the diversity in home ownership, including self-construction and mortgages or public credit for housing. These new policies have given low-income families broader financing possibilities, such as smaller loans and mixed housing finance, increasing home ownership by low-income families. CIDOC-SHF (2006, 2009) stated that between 2006 and 2012 more than 5 million dwellings would be needed, of which the public sector might realize 50 per cent.

In Mexico a housing typology has developed over time. Some institutional sources work with the categories basic, social, economical and medium houses. In 2009 the SHF worked to develop a comparable classification system for types of housing (UN-Habitat 2011b). An evaluation in 2003 revealed that the supply of basic housing (accessible for households earning up to three times the minimum wage) represented less than 1 per cent of homes offered in the market, while the effective demand was 40.9 per cent for this income group (Coulomb 2010: 577). This meant that there was a large gap between supply and demand. Since April 2010, the housing sector has used the Classification Approved Housing Value, which was agreed upon by INFONAVIT, SHF, CONAVI, financial institutions (banks and SOFOLs), FOVISSSTE, Softec (private consultancy) and the Mexican Mortgage Association. Furthermore, there is the classification of housing by average price, which is based on the (federal) housing building code. Currently, the sector is using the following terms: Economic, Popular, Traditional, Medium, Residential and Residential Plus. Table 15.2 gives price ranges of current housing types, necessary incomes, construction areas and estimated numbers of rooms per type.

Over time, the average plot size has become smaller for single-family homes, varying from 60 to 140 square metres. Construction of housing in rows on small plots of 100–120 square metres is still the standard, but some lots are even smaller than 40 square metres. Housing prices vary between around US$10,000 and US$35,000. Measured in terms of the necessary amount of income, families must earn between US$600 and US$1,000 per month to afford a home. A large percentage of Mexican families earn less than this amount and houses built by housing institutions are not available to them.
Jan Bredenoord and Lorena Cabrera Montiel

The housing developers Casas GEO and Homex, as well as many others, build economical and popular houses, but they produce residential housing and expensive apartments as well. Private building companies and developers do not offer cheap basic houses or starter houses.

In the supply of social housing, multi-storey houses and apartment buildings are becoming more and more common in large metropolitan areas (Figure 15.2). The housing

<table>
<thead>
<tr>
<th>Housing types</th>
<th>VSMMDF*</th>
<th>Price ranges in Mexican pesos in 2012</th>
<th>Price ranges in US$ in 2012</th>
<th>Average floor space in m²</th>
<th>Number of rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic house</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>10–30</td>
<td>1–2</td>
</tr>
<tr>
<td>Economical</td>
<td>&lt;118</td>
<td>&lt;223,590</td>
<td>&lt;17,042</td>
<td>30</td>
<td>3</td>
</tr>
<tr>
<td>Popular</td>
<td>118–200</td>
<td>223,591–378,966</td>
<td>17,042–28,885</td>
<td>42.5</td>
<td>4</td>
</tr>
<tr>
<td>Traditional</td>
<td>200–350</td>
<td>378,967–663,191</td>
<td>29,885–50,548</td>
<td>62.5</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>350–750</td>
<td>663,192–1,421,124</td>
<td>50,548–108,317</td>
<td>97.5</td>
<td>6</td>
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<tr>
<td>Residential</td>
<td>750–1500</td>
<td>1,421,125–2,842,248</td>
<td>108,317–216,635</td>
<td>145</td>
<td>7</td>
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<tr>
<td>Residential Plus</td>
<td>&gt;1500</td>
<td>&gt;2,842,248</td>
<td>&gt;216,635</td>
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</table>

*VSMMDF: times the minimum salary (monthly) for the Federal District of Mexico = 1,894.8 pesos or US$144.4. In January 2012, the minimum daily salary for the Federal District of Mexico was 62.33 pesos (US$4.75).

Sources: Classification Approved Housing Value; Clasificación de la vivienda por precio promedio; Código de Edificación de Vivienda (CONAVI 2010c).

FIGURE 15.2 Housing complex El Cortijo in Tlalnepantla. Photo by the authors.

The housing developers Casas GEO and Homex, as well as many others, build economical and popular houses, but they produce residential housing and expensive apartments as well. Private building companies and developers do not offer cheap basic houses or starter houses.

In the supply of social housing, multi-storey houses and apartment buildings are becoming more and more common in large metropolitan areas (Figure 15.2). The housing
building code (CONAVI 2010c) developed a typology: one-family house; duplex or double house; multi-family housing; horizontal condominium; vertical condominium; and mixed condominium.

**BOX 15.1 SOCIAL HOUSING FINANCE IN MEXICO**

In 2000 the federal government developed a large-scale poverty reduction programme (Hábitat), which transferred a significant amount of financial resources to the local governments. At the same time, the housing policy changed, partly as a result of the Housing Law (GoM 2006), which honoured self-managed housing (article 4 VIII), an important policy change. Since 2006, SEDESOL (Secretariat of Social Development) has supported the construction of 1.9 million concrete floors in 1,328 municipalities, an investment of around US$1 billion (CIDOC/SHF 2011). The government focused further on social housing, as a consequence of the targets of the National Housing Programme 2008–2012 PNV (GoM 2008). The social housing policy focuses on the poorest segments of the market through the programmes and schemes offered by FONHAPO, CONAVI and SHF.

FONHAPO is a federal trust fund, coordinated by SEDESOL. The ‘Borrow and Subsidy’ programmes for housing are *Tu Casa* (Your Home) and *Vivienda Rural* (Rural Housing); they provide grants for the construction of new homes, the purchase of existing homes, and home improvements. FONHAPO is aimed at municipalities with a low human development index, where the fight against urban poverty is most needed and in areas struck by natural disasters. Funding is provided on the condition that the state or municipality provide additional housing finance and a small deposit is made by the receivers. For the possibilities for subsidies, see FONHAPO (n.d.).

- Purchase or construction of basic housing units in urban areas, up to US$4,000 (40,000–53,000 pesos); which can be the basis for (later) incremental expansion and improvement.
- Home enlargements in (sub)urban areas up to US$1,500 (15,000–20,000 pesos).
- Home renovations in (sub)urban areas up to US$1,000 (10,000–15,000 pesos).

In 2007 a federal funding programme for housing was created called ‘Esta es tu Casa’ (This is your House). The programme, carried out by CONAVI, focuses on households with incomes less than five times the minimum wage for the purchase, construction or improvement of a dwelling. The programme can be used to subsidize or fund the purchase of a plot and the self-construction on it. Mixed housing finance provides grants and loans and asks participants to contribute a small deposit (5 per cent). The grant provides from US$1,000 for home improvement to US$3,000 for the self-construction of a dwelling and up to US$4,500 for the purchase of a new or existing home. The funding is implemented through ‘executive bodies’, such as municipalities, banks, SOFOLs or housing institutions. The maximum value of a property for which funding can be requested is set at US$20,000 (CONAVI 2009).

SHF is the Mexican ‘Federal Mortgage Society’. SHF does not directly address credit applicants (builders/developers of new/used housing, or people who need a loan to buy/
build/remodel a home). It offers the following schemes and products through financial intermediaries such as SOFOLs, SOFOMs and banks:

(1) **Individual housing funds** (loans to improve/expand/remodel a home; loans for assisted self-help housing; loans for house purchase; co-financing with INFONAVIT/FOVISSSTE; and credit that incorporates the subsidy programme ‘Esta es tu Casa’ by CONAVI).

(2) **Funds for housing production** (bridge loans; equity and debt financing with private/institutional capital).

(3) **Insurance/coverage** (credit risk sharing with private/financial institutions; swap UDIs to minimum wages; certainty of timely compliance; coverage for credit risk of portfolios for underserved populations; see SHCP n.d.) (Investment units (UDIs) are value units based on price increase, used to fund obligations of mortgage loans or any commercial act. They were created in 1995, in order to protect banks, largely focused on mortgage loans; Banco de México n.d.)

Table 15.3 shows the number of housing finance actions; total numbers are far over 1 million and in 2008 there were 1.769 million finance actions. However, for one house a household might obtain finance from different sources.

**Sustainable housing and planning**

Since 2010, policymakers have been reconsidering the nationwide housing policy. The policy has increasingly focused on sustainable housing and urban development, a responsible decrease in the housing backlog and, finally, better regulation of urban housing. Furthermore, policymakers are trying to develop integral urban development and address sustainability issues by involving all the necessary disciplines and stakeholders and encouraging the participation of communities. They are implementing strategies such as: sustainable integrated urban development, urban rehabilitation and densification and promoting eco-technologies through a housing finance instrument that encourages the use of sustainable applications on housing.

Other connected targets are control of urban sprawl and mobility and the promotion of improved quality of life for all residents. Government parties and the private sector also recognize the importance of social housing production to solve the housing needs of low-income populations and propose new financing schemes for social housing production. The goal is to promote projects that incorporate sustainable urban solutions with community participation (CIDOC/SHF 2012).

The government is focusing on housing re-densification in the inner-city (CONAVI 2010b) and the control of urban sprawl. Individual households and private and public developers are densifying their properties too, with the latter parties increasing their production of multi-storey housing such as apartment buildings. Currently, new government scenarios and instruments for housing are available. Since 2010 governmental institutions have been developing integrated approaches to housing through DUIS. This certification system is based on orderly growth of cities and development of sustainable urban environments with well-designed housing. One authorized DUIS project involving integrated spatial planning will...
facilitate urban expansion plans for approximately 312,000 households, in an area of about 9,242 hectares, which will benefit 1,250,000 people. In addition, 11 potential projects in 9 states are under evaluation, which would provide over 200,000 new homes (CIDOC/SHF 2012).

Making urban policies that implement sustainability goals is a challenge in Mexico. These goals include higher densities and the use of sustainable building materials. As urban density increases, the compact city is becoming an important catchphrase. High urban density has serious consequences for low-cost housing since it reduces the possibilities for self-help housing (GoM 2012).3

Another stimulus for sustainable housing that has been in effect for several years is ‘green mortgages’, which enable the purchase of sustainable housing with ecological and technological solutions for energy efficiency and renewable energies, such as solar heaters, energy-saving lamps, water-saving valves, thermal insulation, high-efficiency air conditioners, etc. (CIDOC/SHF 2011). In 2011 INFONAVIT issued 376,815 green mortgages (INFONAVIT 2012).

### Housing and urban planning challenges of today

Mexico’s social housing policy encourages private home ownership. Rental dwellings are rarely promoted and often rental complexes are dated. Rental housing is mainly offered by private parties, for example by families in older suburbs. The extent and quality of rental stock has not been sufficiently investigated and policy herewith is lacking. In 2000, the rental housing stock amounted to only 13 per cent of the total housing stock (Coulomb 2010). The stimulation of rental housing is necessary to help those who cannot afford the (subsidized) purchase of a house or a self-help housing solution, such as people with disabilities, students and the elderly.

In 2013, land-for-housing, which involves the purchase of land for urban social housing, is not a primary focus of housing policy, probably because the federal government’s main goal is to increase the number of housing finance ‘actions’ to over 1 million annually. Land-for-housing is a difficult issue because it is not easy to find new land in the vicinity of cities and develop it by public means, while land prices are increasing considerably. One can find some public and public–private land developments in some states. Some of these have a special trust fund, which in Mexico is called a fideicomiso. But land-for-housing remains a complicating

<table>
<thead>
<tr>
<th>Housing finance providers</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial entities</td>
<td>92,763</td>
<td>112,913</td>
<td>63,607</td>
<td>53,055</td>
<td>36,672</td>
<td>10,763</td>
</tr>
<tr>
<td>ONAVIS</td>
<td>539,712</td>
<td>591,913</td>
<td>712,593</td>
<td>585,978</td>
<td>602,099</td>
<td>600,646</td>
</tr>
<tr>
<td>State organizations</td>
<td>23,228</td>
<td>94,628</td>
<td>65,671</td>
<td>37,733</td>
<td>34,833</td>
<td>20,508</td>
</tr>
<tr>
<td>Other organizations</td>
<td>20,889</td>
<td>18,504</td>
<td>18,768</td>
<td>17,174</td>
<td>11,084</td>
<td>11,566</td>
</tr>
<tr>
<td>Federal subsidies</td>
<td>500,612</td>
<td>286,433</td>
<td>908,530</td>
<td>727,771</td>
<td>798,113</td>
<td>722,879</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1,177,204</strong></td>
<td><strong>1,104,379</strong></td>
<td><strong>1,769,169</strong></td>
<td><strong>1,421,711</strong></td>
<td><strong>1,482,801</strong></td>
<td><strong>1,366,362</strong></td>
</tr>
</tbody>
</table>

Source: CONAVI (2012).
factor for the planning of Mexican cities. Over the next 25 years 553,000 hectares will be needed to satisfy the demand of the housing market (an average of 22,121 hectares annually). SEDESOL estimates that 70 per cent of the land-for-urban-growth during the coming years will be provided by ejido land (CIDOC/SHF 2012). For better articulation of housing policy the Secretariat of Agrarian, Territorial and Urban Development was established (formerly the SRA). It is responsible for coordinating CONAVI, CORETT and FONHAPO and signing agreements with INFONAVIT. Its mission is to provide and improve housing for low-income households (DOF 2013).  

The national housing policy pays little attention to new forms of savings and building structures, and to promotion of small housing cooperatives and the sustaining of technical assistance for self-builders, but there are some small-scale examples of these developments (Ortiz 2004). While the government’s focus since 2000 has been on growing housing finance actions, its attention to other housing issues such as typology, land and construction costs has slackened. New forms of multi-storey housing in the urban context are becoming more common, such as duplexes with two storeys and apartments with three or more storeys. These types of housing need more political attention in view of the upcoming compact city policy. 

Box 15.2 provides examples of assisted self-help housing. We think that more research on the best ways to assist self-builders may be crucial for future housing quality because self-help housing is still common.

**BOX 15.2  EXAMPLES OF ASSISTED SELF-HELP HOUSING IN MEXICO**

Assisted self-help housing is widespread but not fully institutionalized, possibly because self-help housing has only been seen as acceptable since around 2000. Self-help (now often self-managed housing) is still very common and therefore we focus on some significant examples. Private actors are making a positive contribution in this field. 

An example of a municipality that supports self-help housing is Nuevo Laredo, where a trust fund in 1999 was founded for Land Reserve in favour of people with low incomes, to prevent illegal settlements from arising elsewhere in the municipality. The trust fund bought 343 hectares of land; the area was developed, and afterwards plots were sold to families (Gobierno y gestión local n.d.). This is an illustration of a land-for-housing programme (it is one of the many reservas territoriales, as are the DUIS projects). 

A housing project for 70 social housing units was realized in Monterrey, Nuevo León (Santa Catarina). The project has homes with a ground floor and two more storeys, as well as duplex homes. Both types of homes, after completion by individual families, can be enlarged. The ground floor homes can be enlarged from 40 to 58 square metres and the duplex homes from 40 to 76 square metres. This is a hybrid housing solution in which phasing out by self-help is integrated into the housing design. It is developed by Elemental Architects from Chile (Aravena and Iacobelli 2012; IVNL n.d.). 

The cement company CEMEX developed a social aid programme that offers building materials and technical assistance to self-builders and credit for home renovations. Their award-winning programme Patrimonio Hoy benefited more than 250,000 households in 22 Mexican states (Bouillon 2012: 224; CEMEX n.d.). Another cement company, Holcim
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Besides the challenges of adequate urban planning and sustainable housing, two additional housing challenges that are very relevant for the future of social housing production in Mexico will be described below.

### Social housing production is becoming a vision

Social housing production contributes to the production of affordable housing, including private self-help housing. Additionally, non-profit NGOs play an important role in meeting the housing needs of low-income groups (CIDOC/SHF 2012). Social housing production involves various actors: self-help entities (mutual aid cooperatives, civic associations and social entrepreneurs); specialized non-profit producers (housing cooperatives, housing-NGOs, technical corporations linked with social movements, philanthropic organizations, etc.); and institutions supporting social housing production and habitat (federations of housing cooperatives, socially responsible companies and social developers). CONAVI facilitates Assisted Social Housing Production (PSVA), through Social Executors and Social Housing Developers, which support individual or collective social self-producers by giving them social, technical, financial, administrative, legal and/or accounting assistance (Ortiz 2004). PSVA is beginning to consolidate as a public policy. Since 2010 CONAVI, in partnership with other agencies, has organized basic training workshops for different actors involved with social housing production (CIDOC/SHF 2012).

### Uninhabited housing: a potential threat

In 2010 there were nearly 5 million uninhabited houses out of a national total of 35 million homes, which is about 14 per cent (INEGI 2010). This is 4.5 times the annual housing demand of 1.1 million in 2011 (CIDOC/SHF 2011). Up to 19 per cent of the uninhabited housing is located in the northern states of Mexico and the lowest proportion is located in the Federal District (8 per cent). The phenomenon is associated with several factors, including the crisis and economic adjustments, international migration, and the violence and insecurity prevailing in some cities in the north (Sanchez and Salazar 2011). It is also linked with long distances to work, a lack of services, low housing quality, the possibilities to purchase a second home (INFONAVIT 2011) and the overproduction of new housing as a consequence.
FIGURE 15.3A  Uninhabited row-houses in Galaxia La Calera, Puebla. Photo by the authors.

FIGURE 15.3B  Uninhabited apartments in Villa San Carlos, Puebla. Photo by the authors.
of federal policy (BBVA Research 2011; Sanchez and Salazar 2011). This alarming situation is probably a result of public agencies offering too many new houses. In the first quarter of 2007, 85.7 per cent of INFONAVIT mortgage loans were used to purchase new housing units (UN-Habitat 2011b). Municipalities with large numbers of uninhabited housing also received more public funds and built more new housing (BBVA Research 2011).

The failure of the housing policy is apparent in the current situation of major homebuilders. These companies benefited from federal policy in the past decade and now are dominating the market. In 2012 four companies, which were producing 30 per cent of all the housing nationally (PUEC-UNAM 2013: 74), were confronted with cash problems and increasing debts, due to low sales, rising construction costs and cessation of mortgage payments (of inhabited houses). Despite continued public housing actions, many people are still homeless and the housing stock of low-income families has significant shortcomings. This increases environmental damage, the disintegration of urban and social structures, and insecurity. Moreover, the number of overdue mortgages is growing. Figures 15.3a and 15.3b show uninhabited houses in Puebla (row-houses and apartments, respectively).

**Conclusion**

Between 1972 and 2012 the Mexican housing market underwent several changes. We mention the transformation from rental to owner-occupied housing in the 1960s and 1970s and, during the following four decades, the development of public support schemes for housing including finance for self-building. Public housing institutions, such as INFONAVIT, that were established in 1972, are still functioning but have changed considerably in scope and approach. Since around 2000, Mexico’s urban housing market for the poor started widening its scope and, powered by an array of new kinds of housing finance, currently offers hybrid forms of housing that combine social housing with self-managed finishing.

The development of housing typology in Mexico indicates that there are two dominant building forms: (1) the individual incremental building method, which results in each plot having a house with its own outside walls; and (2) the project-based housing, which has led to the production of large numbers of subsidized housing. Within the last building form, there are two types that can be distinguished: projects with small family homes on private plots and complexes with apartment buildings with three, four or five floors that are usually in a compact setting where houses cannot be extended individually. We think that in the future researchers should pay more attention to condominium housing, its manifestations and its construction costs because in the future more condominiums will be built, especially in metropolitan areas.

For some years, one of the government’s new objectives has been to make housing more sustainable, as demonstrated by government publications (GoM 2008, 2012). The objectives for sustainable housing clearly go a step further than simply creating ‘durable housing’, since goals for protecting the earth and the climate are also taken into account. Consequently, the government promotes, for example, ‘green buildings’ and the use of sustainable building materials and construction technologies. The financial sector already provides green mortgages for the financing of sustainable applications for homes. In the next few years, sustainable housing should be further developed in Mexican cities, for example striving for adequate city planning, and sufficient and well-designed public spaces such as parks and squares.
For several years policymakers have been developing the ‘social production of habitat’ in Mexico as a policy concept. Other countries could benefit from this accumulated knowledge. Because social housing production can be affected by economic depressions and political dialogue concerning ‘decent housing’ for low-income households, the affordability of housing solutions will be an ongoing discussion. We hold that self-help housing gives households more independence and more flexibility concerning the expansion of dwellings than the housing built by institutions. Social housing production in Mexico is becoming a government policy, and self-help housing is seen as an important part of that. Consequently, the land-for-housing issue must be investigated too.

The growth of urban populations still goes hand in hand with a huge demand for cheap housing for the lowest income brackets. In the near future, new urban expansion plans will still be necessary, but attention to urban renewal, neighbourhood upgrading and home improvements is already present in current policies. Private letting and subletting occur in various forms, but are not officially monitored.

The presence of many uninhabited houses in Mexico is alarming and a possible threat for the housing market and for social coherence and public safety in neighbourhoods. The causes in various parts of the country may be different, but most likely include the overproduction of subsidized dwellings and apartments. We think it is wise to examine this phenomenon thoroughly, in order to avoid adverse effects for the housing market.

Notes

1. Government programmes are e.g. CORETT (Commission for regularization of land ownership), PROCEDE, Programme of certification of ejido rights and titling, and PISO Firme, a programme of SEDESOL (Secretariat of Social Development).
2. Extreme poverty (those living on less than US$76 a month in urban areas and less than US$53 in rural areas) reduced slightly to 10.4 per cent (World Bank 2013).
3. One may assume that in multi-storey housing, e.g. duplex, multi-family housing, vertical condominium, the self-help housing part is still limited, compared to traditional self-help housing.
4. Other actions have been implemented to solve housing problems: minimum standards through ISA (Accredited Satisfaction Index) and ICAVI (Housing Quality Index) by INFONAVIT, and the INV (National Housing Inventory) performed by INEGI.

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